

## FINANCE AND ADMINISTRATION (F&A) COMMITTEE MEETING

Wednesday 26 June 2024, in Lausanne, Switzerland (Hybrid)  
At the Olympic House

### SUMMARY NOTES OF THE MEETING

#### Item 1: Opening and welcome by Ser Miang Ng, F&A Committee Chair

#### Item 2: Attendance

|          | <i>In-person:</i>  | <i>On-line:</i>                             |
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| Members: | Ser Miang Ng, <i>Chair</i><br>Rebecca Tyler<br>Qingming Yan<br>Dagmawit Girmay Berhane   | Nenad Lalovic<br>Kristen Kit<br>Lana Haddad |
| WADA:    | Olivier Niggli, Director General (Director General, DG)<br>Stuart Kemp, Chief Operating Officer (Chief Operating Officer, COO)<br>Dao Chung, Chief Financial Officer (Chief Financial Officer, CFO)<br>Eva Vizioli, Financial Controller (Financial Control, FC) |   |

#### Item 3: 2023 Audited Accounts and Internal Memorandum

- The CFO updated members on the recent approval process of the 2023 Accounts. The International Financial Reporting Standards (IFRS) version of the accounts had been reviewed and endorsed by the WADA Risk and Audit Committee (RAC\*) on 10 May 2024. The RAC members had recommended to the ExCo that they in turn recommend the WADA Foundation Board (Board) to approve the accounts. The Board had approved the accounts via circulatory vote which closed on 20 June 2024.
- The package approved by the Board also included the Swiss GAAP Financial Statements (\*\*) and the Internal Control System (ICS) report. The report was deemed satisfactory, and no deficiencies were found per audit findings.

*(\*) The F&A members were reminded on the creation and purpose of the RAC. It was a new WADA body which had been formed in September 2023, an outcome of governance reforms and comprised three members - Jiri Kejval, an ExCo member and appointee of the ExCo, together with two independent members, Kashif Farooq and Nathalie Bourque as Chair). The RAC's main purpose is to monitor and assist WADA in fulfilling its responsibilities in terms of risk management, financial*

*reporting and compliance with policies and regulations. The RAC will also review our quarterly statements, in addition to the annual reports.*

*(\*\*) By its Terms of Reference, the RAC is only required to approve the IFRS Statements.*

- The CFO provided a summary, high level financial view of the 2023 IFRS Audited Accounts.
  - WADA ended the year with a net income of 48.6M USD<sup>1</sup> and 2.7M in surplus.
  - New sources of income in 2023 came from partnership funding from IT partner, Sword Group -- a five-year agreement signed in Q3 2023, generating 1.5M in annual funding (375k per quarter).
  - WADA also received 500k from the Olympic Council of Asia (OCA) for fines related to a non-compliant case.
  - The rest of the income increase was attributed mainly to higher contributions for prior years received in 2023, namely Venezuela clearing all six years pending contributions.
  - On the downside, WADA had yet to receive Russia's 2023 contribution (1.26M);
    - Members were informed that Funds transfers from/to Russia are under strict bank sanctions causing complications and delays in receiving the outstanding funds. In this regard, WADA had received permission from the Swiss Authorities to receive this money, however, in order for the transfer to take place and be received by our primary bank in Switzerland, they required clearance/licence by US Authorities in line with their own internal controls. An application for such a licence had been completed by WADA, but a response was still pending. WADA had explored other alternatives and resorted to the option of transferring the funds to our ABSA Bank in Cape Town, South Africa. A first instalment of 50k Euro had been remitted this way, and the Finance team were assessing if this was a viable option to receive the remaining contribution. At the time of the F&A meeting, the resolution of this situation was still uncertain.
  - WADA recorded a positive net Cash position allowing therefore an increase of 2.2M to the operation reserve which brought to a level of close to three months of operations.
    - At the last F&A Committee meeting, considering an important surplus cumulated in previous years, F&A Members agreed to a further increase of three months (9.6M) of the operation reserve to reach the six months level (that had been set previously in 2015), once all commitments were taken into consideration.
    - In parallel, WADA Management was asked to look at other potential allocations of the surplus, such as investing further monies into ADAMS; an allocation to come from the Unallocated funds.
  - Investment portfolio (+20M) held up well, generating 650k in interest income for the year.

#### **Item 4: Government Contribution as of 25 June 2024**

- The CFO updated members on the receipt of contributions.

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<sup>1</sup> All amounts referenced throughout this summary are in USD (unless otherwise noted).

- As of 25 June 2024, receipt of Public Authority contributions stood at close to 64% vs 70% same time last year (2023).
- 9.1M was still outstanding: Russia (1.3M)\* and USA (3.6M) amounting to close to 5M.
  - Breakdown % contribution received by region:
    - Europe at 75%, pending Russia, Spain, Netherlands, and Switzerland
    - Americas at 37%, pending USA, Argentina, Chile
    - Asia at 74%, pending Kuwait, Lebanon, Pakistan and South Korea, UAE
    - Oceania, paid in full.
  - (\*) WADA received confirmation by ABSA Bank following the F&A Committee meeting that 50K Euro (of the 2023 contributions) had been deposited into WADA's bank account in Cape Town. The Russian Federation (RF) had indicated their intention to pay the remaining 2023 contribution via the same channels.*
  - Since the Ukraine war, the RF has been excluded from the Council of Europe (CoE). The CoE makes the contributions calculation for each country from the European region and the RF was invoiced by WADA the amounts calculated by the CoE for 2023 and 2024. Despite questions raised to the CoE regarding the European share, it is unclear of the position from both the CoE and RF regarding the calculation and amount of contribution for coming year(s). Nevertheless, it has been noted that the RF's respective share needs to be reviewed/reworked as it has a significant impact on WADA's core budget.
- Additional contributions from Japan and the City of Lausanne in the amounts of 83,450 and 22,792 respectively had been received in 2024.
- The European Union funded two-year Intelligence and Investigations project was successfully delivered in June 2024 as per agreement. WADA has already received 1M Euro and the remaining 400K Euro should be received subject to the EU's acceptance of the Auditor's findings and the final project report. The project was regarded as very successful, and preliminary planning for a similar initiative in Asia region was underway.
- WADA thanked all our funders and grateful for their support.

## Item 5: Highlights of recent Executive Committee (ExCo) and Foundation Board (Board) Meetings

- The Director General provided an update on recent WADA governance meetings.
- Two ExCo Meetings had taken place in recent months -- the regular/recurring one in March in Lausanne, one day before the Annual Symposium, and an extraordinary virtual one on 25 April, held to discuss the Chinese swimmers contamination case.
  - Two main topics of discussion were highlighted from the ExCo in March 2024:
    - WADA was close to concluding the renewal of the agreement with the South African Government for the Regional Office in Cape Town. Adequate support to the Africa Office and its staff in securing valid and timely access to work permits had been a significant concern in recent years, but the South African authorities had undertaken steps to correct this matter. The renewed agreement with the hosts was imminent. WADA was pleased that the Cape Town regional office would remain at the same location.
    - WADA was and had been for some time, years in fact, looking to progress a matter of serious concern - "*Consequences for Voluntary Withholding of Funding*". The purpose of the paper was to address issues where, for political reasons, a country decided to stop funding WADA. The paper proposed to provide for a greater range of sanctions to the current consequences stipulated in the WADA Statutes. The paper was supported

- by the ExCo and further legal work was needed to be ironed out before it reached the Board for approval, likely towards the end of the year.
- The discussions that took place at the extraordinary ExCo virtual meeting on 25 April 2024 were summarised for Members. A Board meeting on 17 May 2024 had also been convened, regarding the Chinese Swimmers contamination case.
  - Considering the matter and its apparent continuation, it was noted that there was a high probability that the 2024 contribution from the USA may be at risk, and thus, it was deemed prudent for WADA to prepare and be ready for a scenario without the US contribution.
  - The impact on WADA's finances if the US were to withhold their 2024, and potentially, 2025 contributions (2024: 3.625M, 2025: 3.845M) and the matching contributions from the IOC, was highlighted and discussed.

#### **Item 6: 2024 Accounts (to 31 May 2024)**

- The CFO summarized the income and expenditures recorded in the first five months of the year.
- Activities were back to normal following the pandemic. Most meetings and events had been taken place in-person.
- Overall, departmental expenses were recorded lower to the budget due mainly to timing. Total operating expenses reached 19.4M or 39% of the Budget. The underspend was mainly due to timing, notably for meetings that took place at the beginning of the year such as the ExCo, now in March, preceding the Annual Symposium in Lausanne; Research and Laboratory Directors' meetings; and the Global Education Conference occurring in February 2024.
  - Capex was at 1.3M or 29% of the Budget.
  - Surplus stands at 9M, but is not truly representative, as more contributions are traditionally recorded in the first half of the year, whereas expenses are more spread out and increase towards the last quarter.

#### **Item 7: Summary of Financials – 2024 Revised Budget & 2025 Draft Budget**

- The CFO provided a presentation to Members, highlighting the recently revised 2024 Budget and the development of the Draft Budget for 2025.

#### **Item 8: 2024 Revised Budget**

- A 2024 Revised Budget was provided with the assumption that the Russia Federation and the USA contributions would be received. However, a prepared plan for some reductions was also presented and on standby.
- Highlights of 2024 Revised Budget:
  - WADA's Board had approved in 2022, a 6% annual increase for 2024.
  - Income had increased in the Revised Budget to 55.3M from an original Budget of 54.5M.

- The IOC had increased its payments to 25.3M and the Public Authorities (PAs) to 25.6M, from their respective budgeted contributions at 25M each.
  - The increase in budget numbers is due to prior years contributions being received this year, notably Venezuela and some other countries.
  - All other income remained stable from their respective budget amounts (Sword 1.55M, Montreal International 2.44M and Laboratory and other incomes 355K)
- Overall, operating expenses had increased by 2% or 900k from the Budget to 50.9M, generating an operating surplus of 3.4M and a net surplus of 43K once deducted depreciation and other non-operating expenses.
  - Significant increases to the Budget came from the Legal Department, mainly for Litigation cost due to not only higher volume of cases but also complex cases which required more expertise and resources.
  - Added compliance audit for China not previously planned.
- Due to the unknown situation with the USA contribution, WADA had prepared some preliminary cost reduction options in areas where potential gains in cost/efficiencies could be materialized while keeping in mind that the opportunity to maneuver in the remaining six months of 2024 would be limited, as most expenses had been already committed. For example, Management would look into temporarily adjusting the travel policy and limiting in-person meetings that have yet to be committed, and consider delaying hiring.
- Under the scenario with USA contribution, the cash depletion budgeted at 432k which is under the 500k threshold allowed by the F&A Committee. Assuming the same level of spending, without USA contribution, the cash would be further depleted to over 7M at the end of year 2024.
- With the current surplus, the operations reserve would be increased to six months operations. The Litigation reserve would be increased to 2.5M from 2M which will be funded from monies provided for from CAS proceedings.

→ **F&A Committee Members approved 2024 Revised Budget.**

#### **Item 9: 2025 Draft Budget**

- The CFO presented the 2025 Draft Budget which included an assumption that the Russian and US contributions would be received. The same prepared plan for reductions (as for 2024) was on standby.
- Highlights of 2025 Draft Budget:
  - The Board had approved in November 2022, an 8% increase from the 2022 budget for 2023, and then 6% increases for 2024 and 2025 from PAs and the IOC.
  - Total income from all sources of funding was budgeted at 57.49M. The PAs and IOC each budgeted at 26.5M, with other incomes remaining stable (Montreal International 2.44M and Private Funding from Sword at 1.55M, Lab and other income 300K)
  - Budgeted operating income at 56.5M and 52.8M for expenses, generating an Operating surplus estimated at 3.7M and to end the year with a Net surplus slightly over 200k once deducted the depreciation and other non-operating expenses (3.55M).

- Overall, operating expenses at 52.8M, increased by 4% (or 1.9M) from 2024 Revised Budget. Noteworthy events for 2025:
  - World Conference to take place in South Korea
  - Code Update/Revision will be finalized/approved at the World Conference
  - Litigation budgeted down to 1M (litigation reserve 2.5M)
- A high-level view of the 2025 Draft Budget without USA contribution including a cost reduction measure principle had been prepared.
  - Total income would decrease to 49.8M from 57.5M. At 6% annual increase, the US contribution for 2025 would reach 3.8M combined with IOC matching, the total potential shortfall from PA and IOC would sum up to 7.6M.
  - For the same level of spending, the net deficit would reach 7.3M.
  - Cash flow depletion would be further weakened under the scenario without US contribution from 697k to over 8M cash depletion.
- Cost Reduction Principles were presented, with a list of possible cost reductions, including:
  - Seek out additional contributions from other organizations to mitigate the income lost.
  - Not cut activities that directly impacts athletes.
  - Limit non-critical travels and in-person meetings to be significantly reduced.
  - Look to partnerships and sponsorships which support activities that are not required by the Code.
  - Some scenarios had been developed to minimize the use of unallocated funds.
    - Be mindful when using the Unallocated Fund and aim to keep at a sufficient level to cover for futures commitments and/or extraordinary that would require extra cash.
    - WADA was asked by F&A Members at the last meeting to prepare and propose an investment plan for IT and other projects to be financed by the Unallocated fund provided that adequate provision of six months for operating reserve and any other commitments engaged were fulfilled.
    - Due to the current context, this investment plan had been reduced in scope and scale. Two projects were proposed for a total of 500k which included Enhanced Athlete Digital Experience project (300k) and earmarked for potential cases via Independent Ethics Board (200k). This latter item is new and required an estimated amount to set aside to cover for potential cases.
- The Committee had a brief discussion on the next cycle of the three-year budgeting plan for 2026-2027-2028 which would be undertaken sequentially.
- The next iteration of the Strategic Plan (2025-2027) will be tabled for the Board's approval in December which will be the basis for the budgeting exercise, therefore providing directions for the operating plan and the detailed budgets accordingly.
- In terms of timeline, for the first year, a high level proposal for annual contribution increase will be presented at the March 2025 ExCo, follow by the F&A in July, and then as usual onto the ExCo in September and the Board in December 2025 for approval.

**→ F&A Members agreed to recommended the 2025 Draft Budget to the ExCo in September 2025.**



## Item 10: Investment Overview

- The CFO updated the Committee on the status of investments. The total Investment portfolio value was now close to 20.1M, split between UBS 4.3M and Lombard 15.8M, with 95% in high quality Bonds (minimum BBB-). WADA continued to invest in secured investments as per its policy of no risks investment and based on the recommendations of our banks.
- Interest income amounted to 286K as of end of May 2024. Due to current uncertain situation with the US contribution, an investment in a shorter maturity timeline had been undertaken to ensure cash availability if/when required.

## Item 11: General Business

- **Selection of Auditor for next three-year mandate 2024, 2025 and 2026**
  - The Committee were informed of the outcome of the recent Auditor selection process. The RAC had reviewed and assessed the responses to the Request for Proposal (RFP), namely from Deloitte and Pricewaterhouse Coopers (PwC). They had done so at their hybrid meeting held on 10 May 2024.
  - Other firms did not apply and/or did not respond. A few factors had been taken into consideration by the RAC for their recommendation to renew PwC, notably:
    - The significant fee difference between the two firms (less than 40% for PwC) combined with their audit experience with WADA in previous mandates; and
    - That the next rotation for the lead partner would come into effect at the end of the three-year audit mandate, aligning therefore to the new guidelines stipulating this requirement.
  - The RAC Members had made their recommendation to the Board to renew PwC Auditor for three-year mandate (for the 2024, 2025 and 2026 financial years). The Board had approved the recommendation via circulatory vote which concluded on 20 June 2024.

## Item 12: Next Meeting

- A tentative date was set for the 2025 annual meeting of the F&A: Wednesday 23 July 2025 (location to be determined).